

DECISION MEMORANDUM

TO: COMMISSIONER KJELLANDER
COMMISSIONER REDFORD
COMMISSIONER SMITH
COMMISSION SECRETARY
COMMISSION STAFF
LEGAL

FROM: NEIL PRICE
DEPUTY ATTORNEY GENERAL

DATE: FEBRUARY 6, 2015

SUBJECT: ROCKY MOUNTAIN POWER'S APPLICATION FOR AUTHORITY TO INCREASE RATES BY \$10.7 MILLION TO RECOVER DEFERRED NET POWER COSTS THROUGH THE ENERGY COST ADJUSTMENT MECHANISM (ECAM), CASE NO. PAC-E-15-01

On February 2, 2015, PacifiCorp dba Rocky Mountain Power ("Rocky Mountain" or "Company") submitted its annual Energy Cost Adjustment Mechanism ("ECAM") filing in accordance with *Idaho Code* §§ 61-502 and 61-503 and Rule of Procedure 52. The Company requests an effective date of April 1, 2015. Rocky Mountain requests that this matter be processed through Modified Procedure.

THE APPLICATION

Rocky Mountain is requesting a Commission Order approving the recovery of total deferred net power costs of \$16.6 million for the period beginning December 1, 2013 through November 3, 2014 ("Deferral Period"). *Application* at 1. Rocky Mountain's Application seeks to revise Schedule 94, Energy Cost Adjustment, to recover approximately \$23.3 million in total deferred net power costs over the collection period beginning April 1, 2015 through March 31, 2016. *Id.* The proposed \$23.3 million recovery represents an increase of approximately \$10.7 million from current Schedule 94 rates, as approved in Order No. 33008 (Case No. PAC-E-14-01). *Id.* The Company states further that the \$23.3 million recovery amount includes an amortization of Monsanto Company's ("Monsanto") and Agrium Inc.'s ("Agrium") share of 2012-2014 deferrals. *Id.*

The combined amortization of the amounts for the three ECAM deferral periods resulted in tariff surcharge rates in this case of approximately \$12.7 million and \$1.0 million respectively for Monsanto and Agrium as their share in the Deferral Period. *Id.* at 5.

The Company noted that the Commission established an annual ECAM through Order No. 30904. *Id.* at 3. The costs included in the ECAM are net power costs (“NPC”), as defined in the Company’s general rate cases and modeled by the Company’s GRID model. *Id.* Base and actual NPC are booked into specific FERC accounts outlined in the Application. *Id.* The ECAM process allows the Company to credit or collect the difference between the actual NPC incurred to serve its Idaho customers and the NPC collected through rates. *Id.* Rocky Mountain defers the difference into an ECAM balancing account. *Id.* at 4.

The ECAM includes five additional components: the Load Growth Adjustment Rate (“LGAR”) or Load Change Adjustment Rate (“LCAR”), a credit for SO₂ allowance sales, an adjustment for the treatment of coal stripping costs, a renewable resource adder for the renewable resources that are not yet in rate base and a true-up of renewable energy credit (“REC”) revenues, as authorized by the Commission in Order No. 32196. *Id.* The ECAM includes a 90% (customers)/10% (Company) “sharing band” wherein customers pay/receive the increase/decrease in actual NPC compared to base NPC and Rocky Mountain incurs/retains the remaining 10%. *Id.*

The Company notes that the Base NPC originated from the 2011 stipulation approved by the Commission. *Id.* at 5. The Base NPC was \$1.385 billion for the Deferral Period. *Id.* at 6.

The NPC deferral amount is calculated on a monthly basis by subtracting the monthly Base NPC rate from the Actual NPC rate. *Id.* The NPC rate is calculated by dividing monthly NPC by the corresponding monthly load to express the costs on a dollar per megawatt-hour (MWh) basis. *Id.* According to the Company, the average Base NPC was \$23.73 per MWh and the Actual NPC averaged \$27.05 per MWh, a difference of \$3.32 MWh. *Id.* The monthly incremental difference is then multiplied by Idaho’s actual load during the Deferral Period. *Id.* For the 12-month period ending November 30, 2014, the NPC differential for deferral was approximately \$12.7 million before application of the 90/10 percent sharing band. *Id.* The LCAR decreased the deferral balance by \$619,086, before sharing, due to higher usage during the Deferral Period. *Id.*

Credits for SO₂ allowance sales revenues received by the Company were also included as an offset to the NPC deferral (\$71 before sharing). *Id.* Additionally, Idaho's share of incremental load control costs, pursuant to Commission Order No. 32432, is tracked in the ECAM and resulted in an adjustment increasing the deferral by approximately \$1.0 million before sharing. *Id.*

The next component of the ECAM, the difference between including coal stripping costs incurred by the Company and recorded on the Company's books pursuant to accounting pronouncement EITF 04-6, and the amortization of the coal stripping costs when the coal was excavated, decreased the deferral by \$66,928 before sharing. *Id.* at 7.

The total NPC deferral adjusted for the aforementioned LCAR, SO₂ revenue, load control, and EITF 04-6 is \$13.0 before the sharing band and \$11.7 million after its application. *Id.* Additionally, the deferral balance reflects the difference between actual REC revenues during the Deferral Period and the amount of REC revenues included in base rates. *Id.* The REC revenue true-up included in the ECAM is symmetrical but no sharing band is applied. *Id.* During the Deferral Period actual REC revenue was approximately \$6.0 million lower than the amount in base rates on an Idaho-allocated basis. *Id.* Pursuant to Order No. 33008, the Company implemented a back cast calculation to perform a check for over/under-collection of NPC, load control costs, and RECs reducing the deferral approximately \$1.2 million making the net deferral \$16.5 million before interest. *Id.* Approximately \$0.1 million of interest was accrued on this balance during for a final deferral of \$16.6 million. *Id.*

Rocky Mountain explained that the deferred ECAM balance of \$27.0 million as of November 30, 2014, is derived from \$10.4 million in uncollected deferrals from prior ECAM filings plus the components described above. *Id.* at 8. Interest of 1% annually and totaling \$0.3 million was added to the uncollected balances. *Id.* Exhibit 1 of the Application illustrates the detailed calculations for tariff customers, with an ending balance of \$1.8 million; Monsanto, with an ending balance of \$8.0 million; and Agrium, with an ending balance of \$0.6 million. *Id.*

The Application includes the direct testimony of Company witnesses Michael Wilding and Joelle Steward. *Id.* Mr. Wilding's testimony details the Company's back cast calculation. Ms. Steward's testimony describes the calculation of the proposed Schedule 94 rates. *Id.* Exhibit 2 of Ms. Steward's testimony illustrates this calculation based on metered loads, the line loss adjusted loads, the allocation of the ECAM price change, and the percentage

change by rate schedule based on the present revenues ordered in Case No. PAC-E-13-04. *Id.* Exhibit 3 is a summary of the ECAM balances detailing the current deferral, prior deferred balances, ECAM rider revenues and an estimate of the net expected balance as of April 1, 2015. *Id.* Exhibit 4 is a clean and legislative copy of Electric Service Schedule No. 94 containing the proposed rates by electric service schedule based on the customer's delivery voltage of electric service. *Id.*

Rocky Mountain intends to notify customers of this filing by "issuing a press release sent to local media organizations and messages in customer bills over the course of a billing cycle" beginning February 12, 2015. *Id.* Copies of the press release and bill insert were included in the Company Application. *Id.* Copies of Rocky Mountain's Application are available for review at the Company's local offices in its Idaho service territory. *Id.*

COMMISSION DECISION

Does the Commission wish to issue a Notice of Application and Notice of Intervention Deadline?

/s/ Neil Price

Neil Price

Deputy Attorney General

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